

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 ATHENS 7487

E.O. 11652: GDS

TAGS: EIND, EINV, BDIS, GR

SUBJECT: ETHYL HELLAS; CHAPTER TWO

REF: ATHENS 6673

SUMMARY: SINCE REFTTEL, NEGOTIATIONS BETWEEN ETHYL AND THE GOG REMAIN DEADLOCKED. THE SOLE OUTSTANDING ISSUE IS ETHYL'S CONTINUED USE OF THE THESSALONIKI PIER FOR THE STORAGE OF DANGEROUS COMPOUNDS DURING THE 12-15 MONTH PERIOD NEEDED FOR CONSTRUCTING NEW FACILITIES AT ITS PLANT SITE. ON JULY 23 COORDINATION MINISTER PAPALIGOURAS CALLED IN THE AMBASSADOR AND THE ECONOMIC COUNSELOR, WITH MARCHANT MARINE MINISTER PAPADONGHONAS ALSO PARTICIPATING, TO EXPLAIN THE GOG POSITION. PAPALIGOURAS EMPHASIZED THE GOVERNMENT'S DESIRE TAT ETHYL REMAIN IN GREECE, BUT ASSERTED THAT THE COMPANY'S INSISTENCE ON USING THE PIER AT THE CURRENT TIME WOULD CREATE UNACCEPTABLE POLITICAL AND LABOR PRESSURES FOR THE GOVERNMENT, INVOLVING PORT WORKERS AND VILLAGERS NEAR THE ETHYL PLANT, AS WELL AS THE IMPLICATION OF CON-
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TINUED STORAGE OF THESE HIGHLY DANGEROUS MATERIALS NEAR HEAVY POPULATED AREAS IN A TIME OF INCREASING TENSION AND

WAR RISK WITH TURKEY. THE TWO MINISTERS CONVEYED THE STRONG IMPRESSION THAT THE GOG DOES NOT WISH TO CREATE UNNECESSARY PROBLEMS FOR ETHYL, BUT THAT IT WAS NOT RPT NOT UNREASONABLE TO ASK A HIGHLY PROFITABLY COMPANY TO MAKE A RELATIVELY SMALL INVESTMENT DUE TO INCREASING CONCERNS IN GREECE ABOUT ENVIRONMENT, POLLUTION, AND SAFETY, AND TO FOREGO USE OF THE PORT FOR A RELATIVELY SHORT PERIOD WHILE NEW STORAGE TANKS ARE CONSTRUCTED. END SUMMARY:

1. DEVELOPMENTS SINCE ETHYL PROPOSAL OF JUNE 26 - THE SPECIAL COMMITTEE WHICH EXAMINED ETHYL'S PROPOSAL TO RELOCATE ITS STORAGE TANKS FROM PIER FIVE TO ITS PLANT SITE (SEE REFTEL PARA 6) REPORTEDLY FAVORABLY ON THE TECHNICAL AND ENVIRONMENTAL ASPECTS OF SUCH A SOLUTION, THE GOVERNMENT, HOWEVER, REFUSED TO EXTEND ETHYL'S LICENSE TO CONTINUE USING THE STORAGE FACILITIES ON PIER FIVE DURING THE ESTIMATED 15-MONTH PERIOD OF CONSTRUCTION FOR THE NEW STORAGE TANKS. A.B. HORN, BEFORE RETURNING TO BATON ROUGE, SENT A TELEX TO COORDINATION MINISTER PAPALIGOURAS ASSERTING THAT ETHYL HAD RECEIVED VERBAL ASSURANCES FROM THE GOG THAT THE PIER LICENSE WOULD BE EXTENDED FOR AN INTERIM PERIOD IF A PERMANENT SOLUTION WERE FOUND, AND DECLARING THAT SINCE THE GOG NOW ACCEPTED THE PROPOSED RELOCATION, ITS REFUSAL TO EXTEND THE PIER LICENSE WAS UNACCEPTABLE TO ETHYL AND, IN EFFECT, RAISED QUESTIONS ON THE GOVERNMENT'S ABILITY TO HONOR ITS COMMITMENTS. ETHYL FACILITIES HAVE NOW BEEN CLOSED DOWN SINCE THE WEEK OF JUNE 28.

2. SINCE THEN, ETHYL HAS REMAINED IN CONTINUAL CONTACT WITH THE EMBASSY, TELEPHONICALLY BY A.B. HORN FROM THE UNITED STATES, AND IN PERSON BY ELBERT MOORE, ETHYL'S EUROPEAN DIRECTOR FROM BRUSSELS. FROM THESE CONVERSATIONS, IT APPEARS THAT ETHYL'S MAIN CONCERNS ARE (1) IF THE GOG FELT IT COULD EXTEND ETHYL'S LICENSE TO CONTINUE STORING MATERIAL ON PIER FIVE WHILE A NEW PIER AND FACILITIES WERE BEING CONSTRUCTED AT LEFKOUDI (SEE REFTEL PARA 3), WHY CAN IT NOT DO THE
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SAME WHILE THE NEW SOLUTION IS BEING IMPLEMENTED? AND (2) IF THE GOG DOES NOT FEEL IT CAN CONTROL PORT WORKERS' REACTIONS NOW, HOW CAN ETHYL BE SURE THAT THE GOG WILL BE ABLE TO PERMIT USE OF PIER FIVE AFTER THE NEW STORAGE TANKS ARE CONSTRUCTED AT THE PLANT SITE?

3. PAPALIGOURAS' JULY 23 MEETING WITH AMBASSADOR. - AGAINST THIS BACKGROUND, PAPALIGOURAS ASKED THE AMBASSADOR AND THE ECONOMIC COUNSELOR TO HIS OFFICE, IN ORDER TO CLARIFY THE GOG POSITION. MERCHANT MARINE MINISTER PAPADONGHONAS

ALSO PARTICIPATED IN THE DISCUSSION. THE ATMOSPHERE OF THE MEETING WAS FRANK AND CORDIAL, AND PAPALIGOURAS STRESSED THAT THE GOG WANTED ETHYL TO REMAIN IN GREECE, AND THAT IT DID NOT WANT TO MAKE LIFE UNNECESSARILY DIFFICULT FOR THE COMPANY. HOWEVER, THE SITUATION WAS EXTREMELY COMPLEX AND THE PRESSURES ON THE GOG WERE INTENSE, AND PAPALIGOURAS HOPED FOR A BETTER APPRECIATION BY THE COMPANY THAT THE GOVERNMENT'S MOTIVATIONS IN THE NEGOTIATIONS WERE NOT RPT NOT CAPRICIOUS. PAPALIGOURAS AND PAPADONGHONAS MADE THE FOLLOWING SPECIFIC POINTS:

(A) ENVIRONMENTAL CONCERNS. PAPALIGOURAS ATTEMPTED TO PLACE THE CURRENT DIFFICULTIES WITH ETHYL WITHIN A BROADER CONTEXT OF RECENT WORLDWIDE CONCERN OVER ISSUES OF ENVIRONMENT AND POLLUTION. CHANGED ATTITUDES IN MANY COUNTRIES HAVE LED DOMESTIC AS WELL AS FOREIGN COMPANIES TO UNDERTAKE ADDITIONAL INVESTMENTS REFLECTING ENVIRONMENTAL CONCERNS. (B) ETHYL'S LICENSE TO USE PIER FIVE. CONTRARY TO THE INFORMATION IN REFTEL PARAGRAPH 2 (WHICH HAD BEEN SUPPLIED TO THE EMBASSY BY ETHYL OFFICIALS), THE LICENSE TO HAVE STORAGE TANKS ON PIER FIVE WAS FOR FIFTEEN YEARS RATHER THAN 50 YEARS; THE 50-YEAR PERIOD APPLIED ONLY TO OPERATION OF THE PLANT, NOT TO USE OF THE PIER (ETHYL OFFICIALS SUBSEQUENTLY CONFIRMED TO THE EMBASSY THAT THIS IS CORRECT). THEREFORE, THE GOG'S REQUEST FOR ETHYL TO MOVE FROM THE PIER COMES WITH ONLY SIX YEARS REMAINING IN THE LICENSE, RATHER THAN 41 YEARS. FURTHER, THE GOG CONTENDS THAT THE LICENSE WAS NEVER FULLY VALID IN A LEGAL SENSE, SINCE ONE OF THE SPECIFIC PROVISIONS, NAMELY, APPROVAL BY THE ARMED FORCES COMMAND, WAS NEVER GRANTED. ALTHOUGH THE GOG HAD
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ACQUIESCED IN USE OF THE PIER EVEN WITHOUT THIS FORMAL APPROVAL, IT WAS NOW PARTICULARLY SENSITIVE TO CRITICISM ON THIS COUNT IN LIGHT OF TENSIONS WITH TURKEY AND THE RISKS TO HEAVILY POPULATED AREAS IN THE EVENT OF WAR AND BOMBING OF THE STORAGE TANKS.

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ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

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(C) EXTENDING THE LICENSE DURING CONSTRUCTION PERIOD. PAPALIGOURAS EXPLAINED THAT, AFTER ETHYL NEGOTIATORS HAD INITIALLY ACCEPTED LAST DECEMBER THE IDEA OF A NEW PIER AT LEFKOUDI, THE GOG HAD INDICATIONS THAT PORT WORKERS AND CIVIC GROUPS WOULD BE SUFFICIENTLY SATISFIED WITH THIS REMOVAL OF THE DANGEROUS COMPOUNDS TO A REMOTE AREA, AND THAT THEREFORE PIER FIVE MIGHT CONTINUE TO BE USED DURING AN INTERIM PERIOD WHILE THE NEW PIER WAS VISIBLY UNDER CONSTRUCTION. NOW, HOWEVER, ETHYL'S NEW PROPOSAL TO RELOCATE THE STORAGE FACILITIES AT THE PLANT SITE, WHILE TECHNICALLY ACCEPTABLE TO THE GOG, HAD RAISED NEW SUSPICIONS IN THE GENERAL PUBLIC ABOUT A POSSIBLE "DEAL" BETWEEN GOVERNMENT OFFICIALS AND ETHYL. ALREADY A QUESTION HAD BEEN RAISED IN PARLIAMENT, AND VILLAGERS NEAR THE PROPOSED NEW RELOCATION SITE HAD PROTESTED. IF, UNDER THESE CIRCUMSTANCES, AND AGAINST THE CURRENT WAR THREAT, THE PIER FIVE STORAGE FACILITIES WERE RE-OPENED, THE GOG FEARED VERY SERIOUS CRITICISM, POSSIBLY ALSO WITH AN ANTI-AMERICAN THEME, ON TOP OF THE EXISTING GRIEVANCES OF PORT WORKERS WHICH COULD THREATEN A COMPLETE SHUTDOWN OF THESSALONIKI PORT. THE GOG'S EVALUATION OF THE
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SITUATION WAS THAT IT COULD SIMPLY NOT AFFORD THE RISKS OF EXTENDING ETHYL'S LICENSE TO STORE DANGEROUS MATERIALS IN THE MIDDLE OF THESSALONIKI HARBOR, SURROUNDED BY HEAVILY POPULATED AREAS. HOWEVER, ONCE THE STORAGE FACILITIES ARE CONSTRUCTED AT THE ETLYL PLANT, THERE SHOULD BE NO PROBLEMS WITH THE PORT WORKERS AND THE GOG BELIEVES THAT THE VILLAGERS' CONCERNS COULD BE OVERCOME BY SCIENTISTS AND ENGINEERS EXPLAINING THE

SAFEGUARDS IN THE NEW FACILITIES.

(D) INTERIM ARRANGEMENT. THE GOG BELIEVES THAT THE NEW STORAGE TANKS COULD BE CONSTRUCTED IN WELL UNDER 15 MONTHS (THIS VIEW IS SHARED TO AT LEAST SOME EXTENT BY SOME ETHYL OFFICIALS, AS PRIVATELY CONVEYED TO THE EMBASSY). DURING THE INTERIM, THE GOG PROPOSES THAT ETHYL LIMIT ITS OUTPUT TO WHAT CAN BE TRANSPORTED BY OVERLAND MEANS, WHICH CURRENTLY AMOUNTS TO 40 PERCENT OF CAPACITY AND WHICH COULD PERHAPS BE RAISED TO 50 PERCENT OR HIGHER. THIS WOULD BE A RELATIVELY SMALL PRICE TO PAY FOR THE LONGER TERM SECURITY OF BEING ABLE TO USE BOTH THE PLANT SITE (FOR STORAGE) AND THE PIER (FOR SHIPPING ONLY), FOR THE FULL 50-YEAR PERIOD UNDER THE OPERATING LICENSE.

(3E) THE GOG WOULD REPLY TO HORN IN THIS VEIN WITHIN THE NEXT COUPLE OF DAYS.

4. ECONOMIC COUNSELOR CONVEYED THE RESULTS OF THIS MEETING TO MOORE, WHO REITERATED ETHYL'S APPRECIATION OF THE EMBASSY'S ROLE.
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